



SONALIS CONSUMER PRODUCTS LIMITED

Review Report On IPO

TIARE

Enabling Your Path To Success

IPO Details

Opening Date	June 07, 2023
Closing Date	June 09, 2023
Stock Exchange	BSE SME
Lot Size	4000 shares
Issue Price	₹ 30 per share
Issue Size	9,44,000 Equity Shares
Application Amount	₹ 1,20,000
Amount Raised (Issue Type)	₹2.83 Cr (Fresh Issue)

IPO Objective

1. Working Capital Requirements.
2. General Corporate Purposes.
3. To meet Issue Expenses.

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	7,71,422	73.12%
Public	2,83,578	26.88%

Promoter of the Company

1. Ms. Sonali Nilesh Kocharekar
2. Ms. Smita Shashikant Shah

Competitive Strengths

1. They are amongst the few organized players in the Granola Bars & Diet Bhel segment of confectionaries with a well-established distribution network.
2. Wide spread sales and distribution network.
3. Diversified Product Portfolio.

Company Background

- Sonalis Consumer Products Ltd was incorporated in the year 2022 headquartered in Mumbai-Maharashtra.
- The Company is engaged in the distribution of nutritious bars and healthy snacks.
- Company's promoters previously have created a line of nutritious bars and snacks that are made out of various Nuts, Seeds, Flours, Healthy oil and various spices under the brand name of "Appetite Food" a Partnership firm, incorporated on March 5, 2020.
- Company has absorbed the business line & distribution network of Appetite Food. Since, Appetite Food has already been in active business for approximately for three years.
- As on date of filing of Draft Red Herring Prospectus, company have 9 employees on their payroll.

Financial Summary

(INR In Lacs.)

For the Period Ended	Dec-22
Total Assets	649.77
Net Assets	655.03
Total Borrowings	5.00
Total Revenue	420.48
Profit After Tax	68.45

Tentative Timeline

Opening Date	June 07, 2023
Closing Date	June 09, 2023
Basis of Allotment	June 14, 2023
Initiation of Refunds	June 15, 2023
Credit of Shares to Demat	June 16, 2023
Listing Date	June 19, 2023



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**Company Overview**

Sonalis Consumer Products Ltd was incorporated in the year 2022 headquartered in Mumbai-Maharashtra. Company is engaged in the distribution of nutritious bars and healthy snacks. Company’s promoters previously have created a line of nutritious bars and snacks that are made out of various Nuts, Seeds, Flours, Healthy oil and various spices under the brand name of “Appetite Food” a Partnership firm, incorporated on March 5, 2020. Company has absorbed the business line & distribution network of Appetite Food. Since, Appetite Food has already been in active business for approximately for three years. Company manufactures a range of products under the private labelling arrangement and contract manufacturing arrangements with its customers and also trade in Agro products. Over the years, they have developed a large pan-India distribution network in the general trade and through otheir distributors, with also supply in the modern trade segment.

Analysis

Since the company was only recently incorporated in 2022, it has a track record of existence of only 1 year. Whereas, both its promoters were involved in the business of nutritious bars and snacks with a different brand “Appetite Food” a Partnership firm, incorporated on March 5, 2020. Even after their association with appetite food they have a track record of only 3 years, makes them relatively new to the business. Currently, Company generates most of its revenue from 3 states i.e., Maharashtra, Gujarat and Goa, out of which Maharashtra contributing the most and others contributing equally.

Sonalis Consumers Products Ltd revenue bifurcation: -*(Rs. in lakhs)*

State	Revenue for the period	%
Maharashtra	375.25	89.25
Gujarat	25.00	5.95
Goa	20.21	4.80
Total	420.46	100

Product Portfolio of Sonalis Consumers Products Ltd includes five categories: -

- Granola Bar: These products are made out of 100% fruits and nuts cooked in honey in bar form. Products under this category include C-Bars, IMU-Bars, O-Bars,



Pro-Bars and Ragi Bars. They sell these products under the brand name “Appetite Food”.

- **Laddu:** A product made out of grains, pulses, nuts, dry fruits and healthy oils in to spherical form. Products under this category include Mithi Laddu, Multigrain Laddu, Mung Laddu, Oats Laddu, Ragi Laddu and Spirulina Laddu. These laddus are made from various whole-grain flours, Ghee, Jaggery, Dry fruits, Nuts etc. without adding any preservatives or flavors and colors.
- **Chakli:** Chakli is a deep-fried snack made from rice flour, gram flour, wheat flour or a mixture of lentil flours.
- **Chivda:** Under this category their product Chivda is a delicious savory snack made with flattened rice (rice flakes/poha), peanuts, daliya dal, cashew nuts, raisins and spices. It is a healthy alternative to high cholesterol and sugar concentrated products.
- **Sev:** Sev is a noodle type crispy snack made from gram flour.

Capacity And Capacity Utilization: -

All their products are manufactured in-house at their manufacturing facilities located in Vasai and its capacity utilization is given below: -

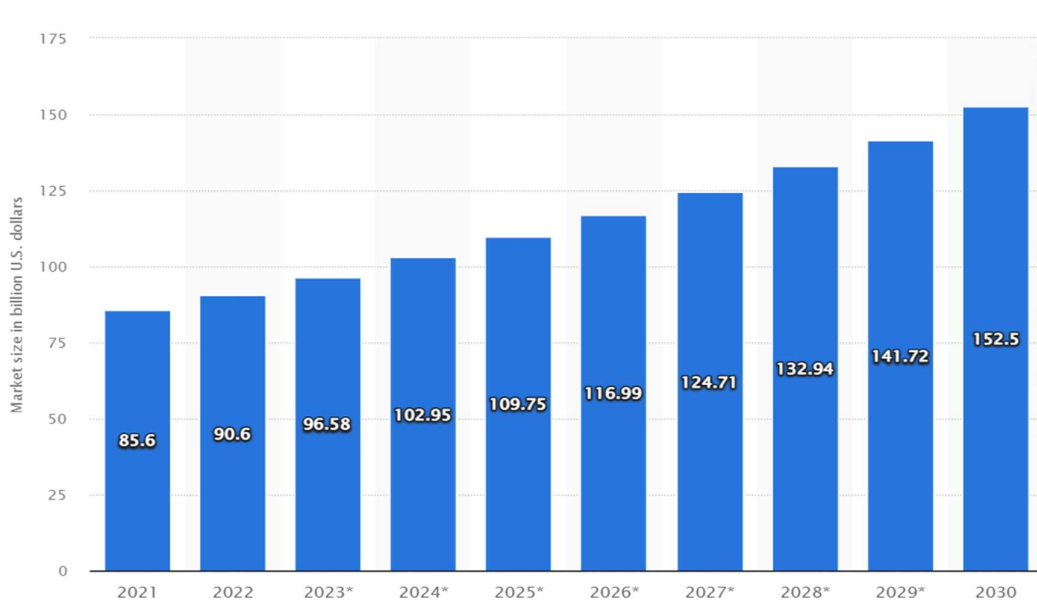
Products	Estimated Volume in MT	Actual	
		Volume in MT	%
Laddu	360 MT	250 MT	69.44
Granola Bar	360 MT	280 MT	77.78
Chivda	432 MT	300 MT	69.44
Chakli Snacks	720 MT	550 MT	76.39
Sev	432 MT	432 MT	100.00

To conclude, the market for business segment company deals in is highly competitive, historically this business segment has been dominated by major entities. As such company does not have any differentiating product or factor, whereas its ability to differentiate its brand and products from its competitors through marketing and brand awareness programs is an important factor in attracting consumers. The revenue growth of the company is not promising.



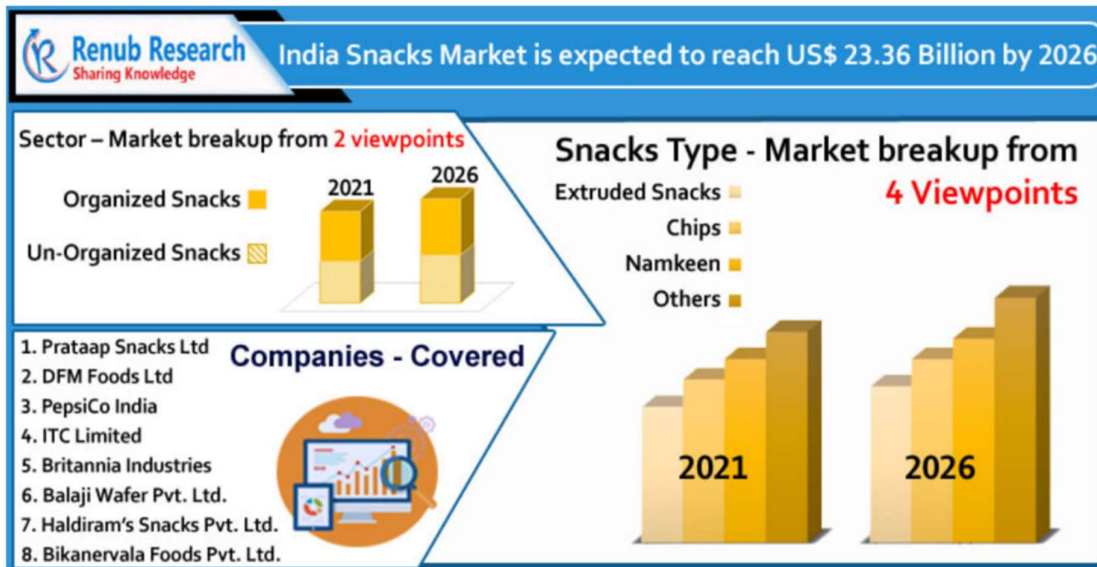
Industry Charts

Exhibit 1: Healthy snacks market value worldwide between 2021 and 2030



(Source- www.statista.com)

Exhibit 2: India Snacks Market By Sector, Types, Companies, Forecast By 2026



(Source- www.vocal.media)

**Investment Overview****F&B (FOOD AND BEVERAGE)-SNACKS INDUSTRY**

The snack industry is expanding fast, with the snacks market in India growing multi fold year on year. Snack market hyper-growth has led to hyper-competition among snacks companies, which now focus on innovative product development, ramping up a distribution network, and price promotions to stay ahead of the game. Snacks also act as impulse purchases for consumers for snacks foods available at retail shops serve as snacks whenever you shop for groceries or purchase snacks from convenience stores. And snacks manufacturers create new snacks products by making slight changes in ingredients, packaging, shape, or form of an existing snacks product. The snacks industry in India is growing faster than snacks growth, and snacks market size and snack revenue growth are expected to increase by 25% yearly. The snacks industry has seen tremendous growth, with snacks manufacturers investing more in snacks research and development, new product development, branding of snacks products, expansion into more unique markets, etc. Many new snacks food startups have also come up during the past few years that have opened up snacks manufacturing opportunities for professionals and entrepreneurs.

The process involved in snacks food preparation requires good planning and mixing of the right amount of ingredients according to different recipes or requirements. Snacks food products are made from various kinds of materials like flour, salt, oil, vegetables, fruits, snacks items, etc. the snacks manufacturer is responsible for snacks quality and snacks safety of the snacks food product that they manufacture, which requires expertise in snacks manufacturing or snacks food technology. Startups snacks manufacturers can avail themselves of several tax benefits from the Indian Government for their registered snack manufacturing business. Startups in the snacks industry can claim a rupee one deduction on central taxes paid during initial years of launch, interest-free loans for snacks plant and machinery that are considered crucial to the production process, 100% exemption on profits earned by snacks company during first five years of kicking off business operations, etc. list of government subsidies offered to snacks manufacturers is quite long.

EVOLUTION OF FMCG IN INDIA

- FMCG market reached US\$ 110 billion in 2020.



- FMCG sales at India's organized retail stores rose 22 % y-o-y in 2018.
- The market is expected reach US\$ 220 billion by 2025.
- E-commerce share of total FMCG sales is expected to increase by 11% by 2030.
- FMCG is the fourth-largest sector in the Indian economy.
- India's household and personal care is the leading segment, accounting for 50% of the overall market. Healthcare (31%) and food and beverages (F&B) (19%) comes next in terms of market share.
- Growing awareness, easier access and changing lifestyles have been the key growth drivers for the sector

ROAD AHEAD

Rural consumption has increased, led by a combination of increasing income and higher aspiration levels. There is an increased demand for branded products in rural India. On the other hand, with the share of unorganized market in the FMCG sector falling, the organized sector growth is expected to rise with increased level of brand consciousness, augmented by the growth in modern retail. Another major factor propelling the demand for food services in India is the growing youth population, primarily in urban regions. India has a large base of young consumers who form majority of the workforce, and due to time constraints, barely get time for cooking.

Online portals are expected to play a key role for companies trying to enter the hinterlands. Internet has contributed in a big way, facilitating a cheaper and more convenient mode to increase a company's reach. The number of internet users in India is likely to reach 1 billion by 2025. It is estimated that 40% of all FMCG consumption in India will be made online by 2020. The online FMCG market is forecast to reach US\$ 45 billion in 2020 from US\$ 20 billion in 2017. It is estimated that India will gain US\$ 15 billion a year by implementing GST. GST and demonetization are expected to drive demand, both in the rural and urban areas, and economic growth in a structured manner in the long term and improved performance of companies within the sector.

(Source- Prospectus)



Addressable market for Sonalis Consumers Products Ltd

Company has an established and wide network of dealers that sell their products across Maharashtra, Gujarat & Goa and continuously focusing on exploring opportunities to further penetrate into remote areas of such states by expanding their distribution network through new distributors appointments. Company can increase their presence in export markets by utilizing the opportunity provided by Government of India to celebrate IYOM 2023 to make it people's movement so that the Indian millets, recipes, value added products get global acceptance and serve developed and emerging countries through merchant exporter. They can also increase their online presence by registering their products on various B-2-C and B-2-B online platforms.

Competition

Company faces intense competition in the Indian snack food market, from various domestic and multinational companies in India. Some of its key competitors include Annapurna Swadisth, Haldiram Foods, Bikaji Foods, Bikanerwala, DFM Foods, Prataap Snacks, ITC, Pepsico. They may also face competition from new entrants in the segment, as they have very few barriers to entry. With a lot of options available to its customers, they have high bargain power.



PEER ANALYSIS

As per the offer document Draft Red Hearing Prospectus the company has 4 peer company viz. DFM Foods Limited, Nakoda Group of Industries Limited, Prataap Snacks Limited, and Annapurna Swadisht Limited.

An analysis of the above-mentioned companies cannot be compared due to unavailability of data of the Sonalis Consumer Products Limited's financial reports.



Promoters' Profile and Management Analysis

Ms. Sonali Nilesh Kocharekar



- Ms. Sonali Nilesh Kocharekar, aged 38 years, has been director on the Board since incorporation Managing Director w.e.f. March 15, 2022.
- She has completed her diploma in Pharmacy from SNTD College, Mumbai; and has completed her bachelor's in Business Administration from Pondicherry.
- She has more than 12 years of experience being a dietician/nutritionist.

Ms. Smita Shashikant Shah



- Ms. Smita Shashikant Shah, aged 61 years, is the Whole Time Executive & Woman Director of the Company and is associated with Company since incorporation.
- She holds a Bachelor degree in Commerce from Marathwada University, Maharashtra.
- Before coming on Board, she had co-founded Appetite Food.



Analysis on the Company's Promoter and Board of Directors

Ms. Sonali Nilesh Kocharekar, aged 38, is one of the promoters of the company. She has completed her diploma in Pharmacy, and bachelor's in business administration (BBA). She has more than 12 years of experience being a dietician/nutritionist. She is responsible for the manufacturing and overall working of the Company and is instrumental in making strategic decisions for the Company. She is also a prominent member on the Nutrition Technology Panels Several Organizations.

Ms. Smita Shahshikant Shah, aged 61, is the Whole Time Executive Director & Woman Director of our Company and a promoter of the company. She holds a bachelor's degree in commerce. She is currently managing new recipe creation in the Company.

Mr. Prakash Premkumar Jhangiani, aged 54, is the Director of the Company. He holds a bachelor's degree in Bachelor of Engineering. He was co-Founder of Mott2, & strategic consultant with a nutraceutical company, before engaging with Appetite Food. He has an experience of 25+ years.

Ms. Ekta Chugani, aged 39, is an Independent Director of the Company. She holds a master's degree in management (Finance). She has an experience of 12+ years.

Mr. Sundeep Paul Menezes, aged 49, is an Independent Director of the Company. He holds a bachelor's degree in business management. He has extensive experience of 26+ years in senior HR, office administration & customer services roles.

To conclude, there are two promoters for the company, Ms. Sonali Nilesh Kocharekar and Ms. Smita Shahshikant Shah. They have decent experience in the industry. Rest all the directors of the company have vast experience and knowledge which can help in the growth of the company.



Financial Snapshot

As per the offer document, the company incorporation dated March 15, 2022. Thus, financial results available as on 31st Dec 2022 are mentioned below.

(Amount in Lacs)

Particulars	As at 31st, Dec 2023
<u>Profit and Loss</u>	
Revenue from operations	420.47
Other income	0.01
Total Revenue	420.48
Expenses	327.56
Depreciation and Amortisation Cost	0.27
Finance Cost	0.14
Total Expenses	327.97
PBT	92.51
PBT Margin	22.00%
EBITDA	92.91
EBITDA Margin	22.10%
Net Profit	68.45
Net Profit Margin	16.28%
<u>Balance Sheet</u>	
Total Borrowings	89.29
Net Worth	349.21
Fixed Assets	15.68
Net Working Capital	338.93
<u>Financial Measures (Annualised)</u>	1.88
Inventory Turnover Ratio	20.43
Receivables Turnover Ratio	9.19
Payables Turnover Ratio	36.59
Fixed Assets Turnover Ratio	18.71%
Return on Capital Employed	13.93%
Return on Equity	0.01
Debt-Equity Ratio	1.88

(The data has been taken and calculated from the financials given in the prospectus)



Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

EBITDA as on 31st Dec 2022 was 92.91 and when annualized is expected to increase to 123.88. EBITDA margin as on 31st Dec 2022 was at 22.10%.

Net Profit

Net Profit as on 31st Dec 2022 was 68.45 and when annualized is expected to increase to 123.35. The net profit margin in as on 31st Dec 2022 was at 16.28%.

Finance Cost

The company's finance cost only comprises of bank charges.

Financial Measures/Ratios

RoCE of the company as on 31st Dec 2022 is at 26.12%. There is an increase in capital employed when compared to the EBIT. With the increase in the equity base of the company through IPO, the RoCE on Post-IPO basis is expected to fall to 16.14%

ROE of the company is at 19.60%. With increase of equity base, the ROE is expected to come down to 13.93%.

Inventory turnover ratio is at 1.41 as on 31st Dec 2022 with an inventory in hand of 298.74 lakhs playing a vital role in the calculation of Net Profit for the company.

Receivables turnover ratio is at 15.32 indicating that the company converting its receivables to cash/credit is at 15.32 times but is expected to increase to 20.43 times when annualized.

Payables Turnover ratio is at 6.89 times indicating that the company can pay back to its creditors 6.89 times and is expected to increase to 9.19 times when annualized.

Fixed Assets Turnover ratio is at 26.82 and is expected to increase to 36.59 when annualized.

The company's Debt-Equity ratio is at 0.26 as on 31st Dec 2022 which shows the company is not highly leveraged.



Key Risk Factors

1. The Company is dependent on few numbers of customers and suppliers for sales and purchase from top customers and Top suppliers. Loss of any of these large customer and supplier will significantly affect its revenues and profitability. i.e., top 6 customers contribute to 59.66% of revenue from operations for the period ended December 31, 2022 and top 7 suppliers contribute to 73.75% of purchases for the period ended December 31, 2022.
2. Company has not taken any insurance which may expose company to risk of potential losses through any unforeseen situation or any liability will not compensate due to absence of Insurance policy and this may have a material effect on their business and financial condition.
3. The company has a negative cash flow from operating activity for the period ended as of December 31st, 2021 amounting to Rs. (200.14) lacs.
4. There are certain outstanding legal proceedings pending against directors of the company amounting to Rs. 3,656 lacs. Any adverse outcome in any of these proceedings may adversely affect profitability and reputation of the company and may have an adverse effect on its results of operations and financial condition.



Track Record of Lead Manager

The lead managers to the issue are Expert Global Consultants Private Limited. A table has been set below highlighting the details of the IPO of the companies handled by the Lead Manager in recent times –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Dollex Agrotech Limited	24.39	35.00	December 28, 2022	37.8
2.	Rite Zone Chemcon India Limited	8.96	75.00	November 11, 2022	79

#CMP is taken as on 2nd June 2023

As per the offer document, Expert Global Consultants Private Limited have had 3 mandates in the last fiscal year (including the ongoing one). From the last two mandate 1 at premium, and 1 at discount.



Recommendation

The company has been only recently incorporated in 2022 and is new to the business. The company performance when it comes to revenue is not promising, whereas they have decent EBITDA and Net Profit margins.

The company has been in an industry which is highly competitive with historically been dominated by major entities, which aggregates major market share.

The management outlook of the company is decent, as they have almost all the personnel in the top management with relatively less work experience relating to the company operates in. The roles and responsibilities of the management has been delegated accordingly.

The company is getting listed with a P/E of around 6.57 times which makes the stock fairly priced, looking at the performance of the company over the past years and when compared to its peers. Also, the P/E is less because the company was recently incorporated.

In conclusion, the company has shown not so promising performance with its revenue, but they have had decent EBITA and Net Profit margins. With major entities dominating the market share of the Indian snacks market it will be difficult to capture the market share, some of the players already have established a robust procurement network and developed better relations with dealers & distributors, which could impact company's revenue and profitability going forward. With not much data available to compare with its peers and past performance as it was only recently incorporated it is very difficult to make any future estimates, making it difficult to come to any conclusion. For now one should wait and **Avoid** applying for this IPO.



Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.